



**Testimony of Priscilla Hill-Ardoin  
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FCC Hearing on the AT&T-MediaOne Merger  
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We're here today because the merger between AT&T and MediaOne is no garden variety merger. Through this acquisition, AT&T is positioning itself to dominate the cable industry through ownership interests in systems passing nearly 60 percent of the homes in the nation. This merger would put AT&T at the center of an extensive web of relationships that spans the former TCI, MediaOne, Time Warner Entertainment, and other major cable companies. Their web would extend to both key video programming services and leading cable equipment manufacturers – as well as the two major cable Internet service providers. Furthermore, their ownership stake in Time Warner Entertainment puts them squarely in the middle of the merger between that company and America On Line.

Throughout the country, AT&T will own or control the cable pipe into consumers' television sets, much of the content beamed through that pipe, and the high-speed Internet service consumers use to surf the net. If this merger is approved, their grasp on the average American consumers will be unprecedented.

Put simply, AT&T has embarked on an aggressive strategy to dominate the way Americans communicate.

If allowed to proceed, AT&T would end up serving nearly 60 percent of the homes passed by the cable industry. It would control about 98 percent of high-speed cable Internet subscribers and nearly 85% of the total broadband market. AT&T would have interests in approximately 60% of the most popular cable programming, and it would have substantial equity relationships with General Instrument, Microsoft, and leading electronic guide services.

This merger would bring together a veritable who's who of leading cable companies, programmers, broadband Internet service providers, software companies and hardware providers.

On its face, it shatters the Commission's cable cap rule limiting the number of subscribers a single provider can serve. On its face, it highlights AT&T's inconsistent demand for access to ILEC facilities – a demand made at the same time that AT&T closes the door on its own second wire to the home. By any reasonable measure, this merger does not satisfy the Commission's standards for concluding that the public interest benefits outweigh the inherent and well-documented anti-competitive effects.

More specifically, let me address the key topics identified for this forum: public benefits, video competition effects, and broadband market effects.

### **Public Benefits**

Despite their repeated public professions, neither AT&T nor **MediaOne** have made specific, tangible, and verifiable commitments to actually roll out local telephone service in any market. In marked contrast to the commitments made by SBC during our recent merger with Ameritech, as well as those being considered in the Bell Atlantic-GTE merger, AT&T and **MediaOne** have given no evidence to support their claim that they will offer local phone service. In fact, when talking to Wall Street, the companies' discussions about this merger have centered on leveraging the cable pipe into the house into control over consumers access to Internet highways and Internet content.

This merger is not about local telephone service. It is about the extension of a web of relationships into an unprecedented dominance over consumers.

### **Video**

That web extends into the market for video programming. The Commission has adopted and recently revised rules to ensure competition in the video marketplace. Those rules include a cap on the number of cable customers that a single entity and its affiliates can serve. AT&T and **MediaOne** initially tried creative interpretations of the rules to avoid the obvious reality that their merger shatters that ceiling. More recently, they have acknowledged this clear-cut problem, and have belatedly asked for a waiver to let their merger proceed.

The Commission, for its part, should not embark down the path of cable cap gerrymandering. The cable cap was required by Congress and developed by the Commission to prevent precisely the problems raised by this merger. By its very nature, the cap only applies to the largest transactions. If AT&T is allowed to circumvent the cap, then the cap is meaningless. and the Commission has wasted untold resources and years of effort in supporting horizontal ownership limits.

### **Broadband**

Finally, AT&T continues to support a regulatory model in which its broadband line into the whome can be closed to competition while seeking to assure that its ILEC competitors holding the other line into the home are saddled with a plethora of stultifying obligations and restrictions. This model of disparate treatment is wrong headed – it's bad policy and it's bad law. More importantly, though it harms consumers by restricting their choices.

The Commission should not be placed in the position of tipping the scales in favor of any particular technology or company, yet that is precisely what AT&T's regulatory strategy entails. In the end, it's not just AT&T's competitors who are harmed by this regulatory disparity, it is the average American consumer.

### **Conclusion**

To conclude, this merger would give AT&T an unprecedented and unhealthy sphere of influence over American consumers and the way they communicate. When the interlocking web of relationships AT&T is proposing is fully contemplated, the Commission is left with only one alternative that promotes competition and benefits consumers. This merger should be rejected.

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